

GOVERNOR'S OFFICE OF HOMELAND SECURITY
AND EMERGENCY PREPAREDNESS
PUBLIC ASSISTANCE PROGRAM



AGREED-UPON PROCEDURES REPORT

ISSUED AUGUST 22, 2007

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

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JOHN MOREHEAD, CPA

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STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

August 22, 2007

Independent Accountant's Report on the
Application of Agreed-Upon Procedures

**PERRY "JEFF" SMITH, JR., CPA
COLONEL (RETIRED)
ACTING DIRECTOR
GOVERNOR'S OFFICE OF HOMELAND
SECURITY AND EMERGENCY PREPAREDNESS
Baton Rouge, Louisiana**

We have performed the procedures enumerated below for the second quarter of 2007 (April 1 through June 30), which were requested and agreed to by you, as acting director of the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP), primarily to assist you in evaluating the operations of the state's Public Assistance (PA) program. GOHSEP management is responsible for the day-to-day operations of PA. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and the applicable attestation standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of management of GOHSEP. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed and our findings and recommendations are as follows:

Technical Assistance Contractor Invoice Review

We compared the technical assistance contractor, James Lee Witt Associates (JLWA), invoices for the period December 2006 through March 2007 to the contract to determine if they were submitted in accordance with the contract guidelines; had all the required signatures; were within the required time period (invoices are to be submitted monthly); were supported by subcontractor invoices, time records, and receipts; and verified that the supporting documentation agrees with the invoice. The invoiced amount totaled \$10,398,311.

For the second quarter of 2007, JLWA provided invoices from December 2006 through March 2007 to GOHSEP for payment. It took JLWA, on average, three months to submit each invoice while the contract requires monthly submissions. In addition, costs totaling \$140,821 or 1.4% of the total invoiced amount did not appear to be within the guidelines

of the contract. These costs are primarily questionable travel costs, duplicate charges, and expenses unrelated to this contract. All these costs were identified during a standard review process before payment and after considering them, JLWA reduced the billings by the questioned amount.

In addition, at the request of GOHSEP management, the Compliance Audit Division of the Legislative Auditor's Office is further analyzing the relationship between JLWA and its subcontractors.

To ensure the proper amounts are billed to the state, we recommend that:

- (1) GOHSEP require JLWA to better define the contractually agreed-upon travel policy to limit reimbursement of travel expenses to federal or state per diem rates;
- (2) GOHSEP approve all exceptions or deviations from the travel policy in writing; and
- (3) GOHSEP require JLWA to submit invoices and supporting documentation in a timely manner and in accordance with the contract.

Public Assistance Procedures

We reviewed 987 Expense Review Forms (ERFs) totaling \$339,745,333 and supporting documentation as prepared by the GOHSEP grant administrators. Through the use of these forms, grant administrators document their reviews of the reimbursement claims submitted by sub-grantees. For all large projects [as defined in 44 CFR 206.203(c)(1)], we conducted the following procedures to verify that expenses reviewed and documented on ERFs by grant administrators were in compliance with federal and state guidelines and properly documented.

1. Verified that the reimbursement request and the parish/local certification documents are dated on or after the creation of the project worksheet
2. Reviewed sub-grantee provided policies and procedures to determine the impact on disaster assistance reimbursement
3. Examined contracts, invoices, and/or receipts to determine reasonableness of costs as defined by GOHSEP and/or the Federal Emergency Management Agency (FEMA)
4. Verified that invoices, receipts, lease agreements, and/or contracts supplied by the sub-grantees comply with state and federal guidelines for the PA program
5. Verified that for each employee listed on the force account labor summary (FAL) there is also a disaster-related job description

6. Verified that employee hours listed on the FAL are in accordance with the sub-grantees' overtime policies and that only hours spent conducting work that was a direct result of the disaster are claimed for reimbursement
7. Verified that the fringe benefit calculation prepared by the sub-grantees includes only elements allowed by their employment practices and is mathematically accurate
8. Verified that for each piece of equipment listed on the force account equipment summary (FAE) there is also an operator listed
9. Verified that equipment hours claimed on the FAE agree with the employee hours claimed on the FAL
10. Verified that the equipment rate used on the FAE is in accordance with the FEMA equipment rate schedule or locally adopted and approved equipment rate schedule
11. Verified that costs listed on the material summary are supported with invoices, receipts, lease agreements, and/or contracts
12. Verified that costs listed on the rented equipment summary are supported with invoices, receipts, lease agreements, and/or contracts
13. Verified that costs listed on the contract summary are supported with invoices, receipts, lease agreements, and/or contracts

We did not detect any significant deficiencies in 826 ERFs totaling \$290,119,199. However, we noted deficiencies in 161 ERFs that were returned to grant administrators for additional information or further clarification. In 82 of the 161 ERFs, we detected deficiencies related primarily to cost reasonableness, contracting, and project scope issues. These deficiencies, had they not been detected, could have led to questioned costs totaling \$16,331,273 or 4.8% of the total amount of the ERFs. Ultimately, some or all of these costs may be reimbursed to the applicants with proper documentation. In the remaining 79 ERFs totaling \$23,825,435 or 7.0% of the total amount of the ERFs, we detected deficiencies primarily related to effective writing/communication which would not have resulted in any questioned costs.

To help limit similar errors in the future and guard against possible questioned costs, we recommend that:

- (1) GOHSEP continue its training efforts to enhance its grant administrators communication skills and knowledge of required documentation with a focus on procurement and cost reasonableness documentation;
- (2) GOHSEP continue its sub-grantee education efforts regarding federal and state reimbursement guidelines specifically in the areas of federal procurement regulations and cost reasonableness; and

- (3) GOHSEP require the sub-grantees to identify the scope of work line item to which each invoice applies, thereby assisting the grant administrators in processing requests for reimbursement in a more timely manner.

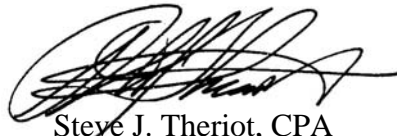
Additional Procedures

At the request of GOHSEP, we provided technical assistance in the form of an in-depth review of supporting documentation provided by Montgomery Watson Harza (MWH) on behalf of the City of New Orleans for cleaning catch basins, storm drain lines, and manholes throughout Orleans Parish. Our review consisted of generating a statistically valid random sample of catch basins, storm drain lines, and manholes purported to have been cleaned. We then evaluated whether the documentation supported the work MWH purported to have accomplished. We sent three letters, one regarding catch basins, one regarding drain lines, and one regarding manholes, to GOHSEP detailing the results of our reviews (see Attachment 1).

We were not engaged to and did not conduct an examination, the objective of which would be to express an opinion on GOHSEP's compliance with federal and state regulations, GOHSEP's internal control over compliance with federal and state regulations, or GOHSEP's financial statements. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters may have come to our attention that would have been reported to you.

This report is intended primarily for the information and use of GOHSEP. However, by provisions of state law, this report is a public document and has been distributed to the appropriate public officials.

Respectfully submitted,

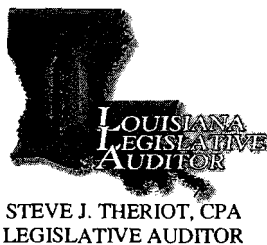


Steve J. Theriot, CPA
Legislative Auditor

JLS:JLM:dl

GOHSEP07

Attachment 1



OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

March 21, 2007

HAND DELIVERY

Mr. Mark DeBosier, Public Assistance Division Chief
Governor's Office of Homeland Security
and Emergency Preparedness
7667 Independence Boulevard
Baton Rouge, LA 70806

Dear Mr. DeBosier:

We have performed limited analytical procedures on certain financial records of the City of New Orleans and its contractor, Montgomery, Watson, Harza (MWH), related to the cleaning of catch basins and drainage pipe within Orleans Parish shortly after Hurricane Katrina. These procedures were performed to determine whether the reimbursement requested by the City is properly supported by documentation in accordance with State and Federal rules and regulations.

MWH purports to have cleaned 67,775 catch basins in two categories. Catch basins "cleaned and monitored" total 47,343 and catch basins "cleaned but unmonitored" total 20,432. We extracted a statistical sample of 365 from each category to test the validity of the documentation provided by MWH and their subcontractors.

After analyzing the sample of "cleaned and monitored" catch basins, we found that many catch basins were cleaned prior to the contract date or were included multiple times. Based on the results of the sample testing, 6,955 "cleaned and monitored" catch basins that were cleaned prior to the contract date or were included multiple times have been included for reimbursement resulting in possible questioned costs of \$2,434,250 (see table).

Population Adjustment	Catch Basins	Cost per Basin	Dollar Effect
Population as Reported	47,343	350	16,570,050
Adjustments:			
<i>Work done prior to 9/26/05</i>	(728)	350	(254,800)
<i>Duplicates</i>	(4,799)	350	(1,679,650)
<i>Triplicates</i>	(1,038)	350	(363,300)
<i>Quadruplicates</i>	(390)	350	(136,500)
Adjustment subtotal	<u>(6,955)</u>	350	<u>(2,434,250)</u>
Adjusted Population	40,388	350	14,135,8000

We also found that 98.9% of the catch basin cleaning work for the "cleaned and monitored" catch basins contained in the sample was supported by production logs and/or monitoring reports.

After analyzing the sample of "cleaned but unmonitored" catch basins, we found that many catch basins were cleaned prior to the contract date or the date of cleaning could not be substantiated. Based on the results of the sample testing, 188 "cleaned but unmonitored" catch basins that were cleaned prior to the contract date or the date of cleaning could not be substantiated have been included for reimbursement resulting in possible questioned costs of \$65,800 (see table).

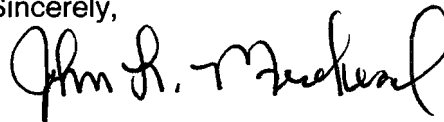
Population Adjustment	Catch Basins	Cost per Basin	Dollar Effect
Population as Reported	20,432	350	7,151,200
Adjustments:			
<i>Work done prior to 9/26/05</i>	(123)	350	(43,050)
<i>Undated work</i>	(65)	350	(22,750)
Adjustment subtotal	(188)	350	(65,800)
Adjusted Population	20,244	350	7,085,400

Our analysis of the catch basins "cleaned but unmonitored" revealed that 98.9% of the work covered in the sample was supported by production logs.

Based on our analysis, the documented amount for catch basin cleaning totals \$21,221,200.00. GOHSEP has paid the City of New Orleans \$19,588,249.82 of the \$24,049,478.58 obligated for this project. However, the obligated amount includes funds for drain pipe cleaning that has not yet been subjected to a detailed analysis. We have begun an in-depth review of the drain pipe purported to have been cleaned by MWH shortly after Hurricane Katrina. We will forward you the results of that review once those procedures have been completed.

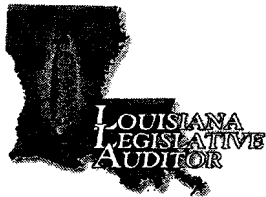
This correspondence is intended primarily for the information and use of management of GOHSEP. I trust that this information will assist you in the efficient and effective operations of GOHSEP. Should you have any questions, please contact me at (225) 339-3800 or Mr. Steve Stevens at (225) 376-5263.

Sincerely,



John L. Morehead, CPA
Director, Recovery Assistance Division

JLS:JLM:dkc



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

May 3, 2007

Transmitted via Hand Delivery

Mr. Mark DeBosier, Public Assistance Division Chief
Governor's Office of Homeland Security
and Emergency Preparedness
7667 Independence Boulevard
Baton Rouge, Louisiana 70806

Dear Mr. DeBosier:

We have performed limited analytical procedures on certain financial records of the City of New Orleans and its contractor, Montgomery, Watson, Harza (MWH), related to the cleaning of drainage pipe within Orleans Parish shortly after Hurricane Katrina. These procedures were performed in accordance with our Agreed-Upon Procedures Engagement with the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) to determine the probability that the records support the amounts claimed for reimbursement pursuant to State and Federal laws and regulations.

The scope of our work was significantly less than that required of an audit by *Government Auditing Standards*; therefore, we are not offering an opinion on the City of New Orleans financial statements or system of internal control, nor assurance as to compliance with laws and regulations. The results of our procedures are listed below for your consideration.

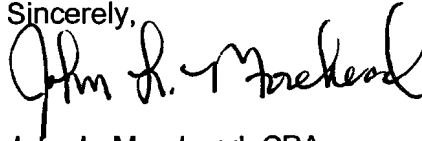
MWH purports to have cleaned 3,403,000 liner feet of drain pipe. We extracted a statistical sample of 80 pipe segments to test the validity of the documentation provided by MWH and their subcontractors. FEMA, in version 2 of Project Worksheet 3715, acknowledged that MWH cleaned 2,393,002 liner feet of drain pipe. In addition, FEMA acknowledged that 1,000,000 liner feet of pipe cleaning cannot be documented. Our analysis of the documentation supporting our statistical sample (daily production logs and daily QA/QC reports) reveals that we cannot substantiate that the drain pipe(s) were cleaned.

MWH provided additional documentation (daily handwritten status reports, maps, etc.) from MWH personnel in the field at the time the drain pipe(s) were purported to be cleaned. Our analysis of this documentation concludes that MWH subcontractor trucks were in the vicinity on the dates the pipe(s) in our statistical sample were purported to be cleaned but does not aid in definitively substantiating that the pipe(s) were cleaned.

Mr. Mark DeBosier
May 3, 2007
Page 2

This correspondence is intended primarily for the information and use of management of GOHSEP. I trust that this information will assist you in the efficient and effective operations of GOHSEP. Should you have any questions, please contact me at (225) 339-3800 or Mr. Steve Stevens at (225) 376-5263.

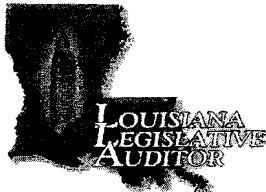
Sincerely,

A handwritten signature in black ink, appearing to read "John L. Morehead". The signature is fluid and cursive, with the first name "John" being the most prominent.

John L. Morehead, CPA
Assistant Legislative Auditor and
Director Recovery Assistance Division

JLM:pm

MWH_050307



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

July 9, 2007

Mr. Mark DeBosier, Public Assistance Division Chief
Governor's Office of Homeland Security
and Emergency Preparedness
7667 Independence Boulevard
Baton Rouge, Louisiana 70806

Dear Mr. DeBosier:

We have performed limited analytical procedures on certain financial records of the City of New Orleans and its contractor, Montgomery, Watson, Harza (MWH), related to the cleaning of manholes within Orleans Parish shortly after Hurricane Katrina. These procedures were performed in accordance with our Agreed-Upon Procedures Engagement with the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) to determine the probability that the records support the amounts claimed for reimbursement pursuant to State and Federal laws and regulations.

The scope of our work was significantly less than that required of an audit by *Government Auditing Standards*; therefore, we are not offering an opinion on the City of New Orleans' financial statements or system of internal control, nor assurance as to compliance with laws and regulations. The results of our procedures are listed below for your consideration.

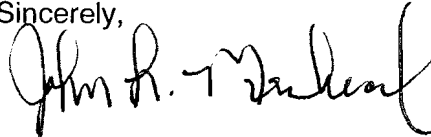
MWH purports to have cleaned 21,534 manholes. Of these manholes, 4,617 are actually catch basins. These catch basins have already been claimed by MWH and the cost of cleaning them has already been reimbursed to the City. We extracted a statistically valid random sample of 184 from the population of 21,534 to test the validity of the documentation provided by MWH and their subcontractors. From our analysis of the documentation supporting the sample (daily production logs and daily QA/QC reports), we concluded that the sample documentation does not support the work MWH purports to have accomplished.

MWH provided additional documentation (daily QA/QC reports and daily production reports). From our analysis of this documentation, we concluded that 21,249 manholes were drawn in the diagrams in the lower portion of the QA/QC reports and 3,426 manholes were mentioned in the daily production logs. Of these amounts, only 172 manholes referenced in the QA/QC reports actually mention cleaning or jettisoning, while 465 manholes in the production logs actually refer to cleaning or jettisoning.

Mr. Mark DeBosier
July 9, 2007
Page 2

This correspondence is intended primarily for the information and use of management of GOHSEP. I trust that this information will assist you in the efficient and effective operations of GOHSEP. Should you have any questions, please contact me at (225) 339-3800 or Mr. Steve Stevens at (225) 376-5263.

Sincerely,

A handwritten signature in black ink, appearing to read "John L. Morehead". The signature is fluid and cursive, with a large initial "J" and a stylized "M".

John L. Morehead, CPA, Director
Recovery Assistance Division

JLS:JLM:db

MANHOLES

Management's Response



KATHLEEN BABINEAUX BLANCO
GOVERNOR

State of Louisiana

GOVERNOR'S OFFICE OF HOMELAND SECURITY AND EMERGENCY PREPAREDNESS

PERRY JEFF SMITH, JR., CPA
COLONEL (RETIRED)
ACTING DIRECTOR

August 14, 2007

Steve J. Theriot, CPA
Legislative Auditor
State of Louisiana
1600 North Third Street
Baton Rouge, Louisiana 70804-9397

Re: Draft Recovery Assistance Division Quarterly Report, 2nd Quarter 2007

Dear Mr. Theriot:

We have received the draft report compiled by the Legislative Auditor's Recovery Assistance Division reviewing the State's Public Assistance (PA) program for the second quarter of 2007 (March 1 through June 30). We commend the Legislative Auditor's Office for the quality of individuals that have been provided to assist us in this very complex PA process. The spirit of cooperation shown and the constructive advice provided by your office has greatly enhanced the State's recovery efforts.

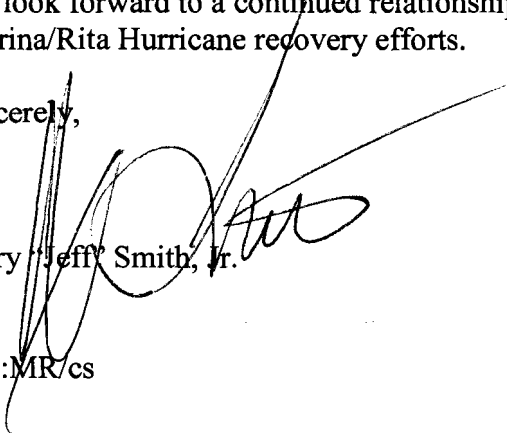
We concur with your recommendations concerning our technical assistance contractor and note that the discrepancies found in their invoices were as a result of a standard review which is part of our quality assurance/quality review process, and in fact, because of that process these invoices were not processed for payment. Specific to your recommendations, we are finalizing a new contract with Global Options Group, Inc. (formerly James Lee Witt Associates) which requires compliance with State Travel Regulations (DOA Policy and Procedure Memorandum 49), and the new contract specifically requires invoices be submitted within 30 days of the end of each billing period.

We further concur with your recommendations relative to Public Assistance Procedures. Turnover of grant administrators and the complex nature of the Stafford Act Public Assistance program highlight the need for a continuous education program. We have recently re-invigorated our training program for grant administrators and will focus on communication skills and federal procurement regulations, to include cost reasonableness. In regard to the sub-grantee issues identified in the report, we have engaged Deloitte Consulting, LLP, to develop processes and procedures within the Public Assistance Program and we anticipate this review will provide specific procedures and guidelines for sub-grantees in order to standardize requests for payments.

Mr. Steve J. Theriot, CPA
August 14, 2007
Page 2

We look forward to a continued relationship with your office as we proceed with the Katrina/Rita Hurricane recovery efforts.

Sincerely,



Perry "Jeff" Smith, Jr.

PJS:MR/cs